

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 FMC-01 XMB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 SAL-01 CG-00 DLOS-06

OES-06 FEA-01 AGR-05 CEA-01 FRB-03 H-02 INT-05 L-03

LAB-04 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /109 R

DRAFTED BY EB/TCA/MA:REJOHE:BST

APPROVED BY EB/TCA/MA:RKBANK

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FMC:DWOOTEN (INFO)

EB/AVP:SKEITER (INFO)

EUR/WE:JSWIHART

EUR/RPE:RBRESLER

EB/TA:RMEYER

TREASURY:OTPN:COULLETTE

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TO AMEMBASSY ROME

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E.O. 11652: N/A

TAGS:EWWT, EFIN, EAIR, IT, GATT

SUBJECT: ITALIAN COMMERCIAL PRACTICE: PRIOR DEPOSIT
PROGRAM REGARDING AIRLINES AND STEAMSHIP LINES

REF: A) STATE 165644; B) STATE 167677; C) ROME 10948

1. ON JULY 15, AT DEPARTMENT'S REQUEST, RICHARD K. BANK,
DIRECTOR, EB/TCA/MA, MET WITH MICHELE COSENTINO, FIRST
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SECRETARY (COMMERCIAL), ITALIAN EMBASSY, ON THE ISSUE OF

DISCRIMINATORY PRACTICES CONDUCTED UNDER ITALIAN PRIOR DEPOSIT PROGRAM. DEPTOFF FROM EUR/WE ALSO ATTENDED THE 30-MINUTE MEETING.

2. BANK DISCUSSED BOTH BACKGROUND AND RAMIFICATIONS OF THE PRIOR DEPOSIT ISSUE WITH MR. COSENTINO AND EMPHASIZED THAT AMERICAN EXPORT LINES AND SEA-LAND, INC., IN RECENT LETTERS OF COMPLAINT TO THE MARITIME ADMINISTRATION (MARAD) HAVE CLASSIFIED THE DISCRIMINATION AS "BLATANT". BOTH SHIPPING LINES HAVE ASKED MARAD TO CANCEL EXISTING PR-17 WAIVERS.

3. IN THE COURSE OF THE DISCUSSIONS, BANK NOTED THE POSSIBILITY THAT PRESENT PRIOR DEPOSIT PRACTICES MAY VIOLATE U.S.-ITALIAN TREATY OF FRIENDSHIP, COMMERCE AND NAVIGATION (ENTERED INTO FORCE ON JULY 26, 1949) AS WELL AS THE OECD CODE OF LIBERALIZATION OF CURRENT INVISIBLE OPERATIONS (1973). (COSENTINO AGREED THAT GOI ACTIONS PROBABLY VIOLATED OECD CODE.) IN ADDITION, THE RAMIFICATIONS OF THE PR-17 PROGRAM (REFS A AND B) AND THE USG SANCTIONS AVAILABLE UNDER SECTION 19, MERCHANT MARINE ACT, 1920, AND SECTION 301, 1974 TRADE ACT (PARA 4, REF A) WERE DISCUSSED IN SOME DETAIL. BANK ALSO NOTED THAT THE U.S. WAS EXPECTED TO RAISE THE ITALIAN PRIOR DEPOSIT MEASURE AT THE JULY 15 GATT COUNCIL SESSION.

4. MR. COSENTINO WAS VERY FAMILIAR WITH BOTH THE ISSUE ITSELF AND THE SANCTIONS AVAILABLE TO COUNTER DISCRIMINATION. HE WAS ALSO AWARE OF DEPARTMENT DESIRE FOR IMMEDIATE RESOLUTION SO TO PREVENT POSSIBLE ACTIONS BY MARAD OR FMC. HE AGREED, WITHOUT ANY RESERVATION, THAT DISCRIMINATION EXISTS AND THAT IT SHOULD BE REMOVED IMMEDIATELY. FYI: MR. COSENTINO WAS "SURPRISED" THAT IN VIEW OF THE OBVIOUS DISCRIMINATORY PRACTICE, MR. SCAGLIA WOULD BE NON-COMMITTAL AS REPORTED IN REF C. IN ADDITION, HE MENTIONED AT SEVERAL DIFFERENT JUNCTURES DURING MEETING THAT THIS ISSUE WAS NOT A MATTER WHICH IN ANY WAY MANIFESTED THE EXISTENCE OF A GOVERNMENTAL POLICY OF DISCRIMINATION, BUT WAS MORE OF A TEMPORARY MATTER THAT COULD BE EASILY SOLVED. HE WAS SOMEWHAT EMBARRASSED THAT ITALY IS ITSELF PRACTICING A FORM OF LIMITED OFFICIAL USE

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DISCRIMINATION WHICH THE GOI HAS PREVIOUSLY FOUGHT, ALONG WITH THE USG, VIS-A-VIS THE NUMBER OF OTHER COUNTRIES. END FYI. MR. COSENTINO SAID HE WILL IMMEDIATELY CONTACT MFA ROME IN HOPES OF "LIGHTING A FIRE" WHICH WOULD HASTEN AN END TO THE DISCRIMINATORY PRACTICES.

5. MR. COSENTINO WAS ENCOURAGED TO KEEP IN MIND THE DATE OF AUGUST 3, THE DATE OF THE TERMINATION OF THE PROGRAM.

MR. COSENTINO WAS REMINDED THAT IF FOR SOME REASON THE PROGRAM IS NOT TERMINATED ON THAT DATE, THE MARITIME ADMINISTRATION WOULD POSSIBLY INCREASE ITS PRESSURE, UNDER THE URGING OF THE U.S.-FLAG CARRIERS, TO CANCEL THE PR-17 WAIVERS. MR. COSENTINO AGREED TO CONTACT DEPT. EARLY NEXT WEEK. KISSINGER

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